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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

NSC review(s) completed.

November 17, 1954

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: NSC 5417/3 (United States Rubber Policy)

NSC Action No. 1243b. adopted the recommendations of the OCB contained in NSC 5417/3 subject to a determination by the Secretary of the Treasury that the program will not adversely affect the sale of U.S. Government-owned synthetic rubber plants. In accordance with this action the Secretary of the Treasury submitted his views on the matter to General Cutler on November 3, concurring in the view of the Rubber Producing Facilities Disposal Commission that "any official action which might be interpreted as a governmental move inimical to the existence and expansion of synthetic rubber manufacture in the United States by private owners may be harmful to the pending program" for disposal of government-owned synthetic rubber plants. The Secretary further concurred in the view of the Commission that "action in this area be deferred for at least six months or until we know the outcome of the disposal program." Copies of this correspondence are attached.

At the request of General Cutler the interagency task force which developed the Indonesian rubber program concurred in by the OCB has reviewed the position of the Commission and the Secretary of the Treasury and their views are attached. In general it is the view of the group that certain informal discussions with the Indonesian Government with respect to assistance for the smallholder rubber industry can be continued but that no definite action or commitment in response to a specific request from the Indonesian Government would be made without further reference to the OCB.

It is recommended that the Board concur in the view expressed and in attached transmittal memorandum to the National Security Council. This matter is being scheduled for Board consideration on November 24.

Elmer B. Staats
Elmer B. Staats
Executive Officer

Attachments: (Annexes A - D)

- A. Memo to General Cutler from George M. Humphrey, November 3, 1954
- B. Letter to Mr. Laurence B. Robbins from Holman D. Pettibone, Chairman, Rubber Producing Facilities Disposal Commission, October 27, 1954.
- C. Memo to the Executive Officer, OCB, Working Group Views on NSC 5417/3 (U.S. Rubber Policy), November 12, 1954.
- D. Draft Memo for Mr. James S. Lay, Jr., November 16, 1954.

THE SECRETARY OF THE TREASURY
Washington

November 3, 1954

Memorandum to General Cutler

Subject: United States Rubber Policy

The attached letter states the views of the Rubber Producing Facilities Disposal Commission on the proposal for United States Government assistance to Indonesian rubber producers contained in NSC 5417/3. As you will note it is the view of the Commission that any official action which might be interpreted as a Government move inimical to the existence and expansion of synthetic rubber manufacture in the United States by private owners might be harmful to the pending program for disposal of United States Government-owned synthetic rubber plants. I concur with these views.

It will, of course, be necessary for the United States Government to balance the considerations affecting the disposal of our synthetic rubber plants against the considerations for the national security. If it is the view of the President and the National Security Council that security considerations dictate urgency in the implementation of this program, the adverse effect on plans for disposal of synthetic plants must be accepted. However, it appears to me that negotiations with the Indonesian Government for a program of this nature would, in any event, require some months' time. Hence a delay of approximately six months as suggested by the Commission might not be inconsistent with security interests.

/s/

George M. Humphrey

[Authorization to reproduce given by Mr. Wicman, Treasury, 11/5/54.]

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RUBBER PRODUCING FACILITIES DISPOSAL COMMISSION
WASHINGTON 25, D. C.

October 27, 1954

Mr. Laurence B. Robbins
Assistant Secretary of the Treasury
Department of the Treasury
Washington 25, D. C.

Dear Mr. Robbins:

You have told this Commission that our government, sensing a responsibility in our national interest, is now considering a program for aid to Indonesia. We understand further that a plan to make grants in aid of the production by the smaller growers of natural rubber in Indonesia, possibly by an educational program and the use of better growing methods, is being considered. May we say that while we do not presume to pass on this important question in our foreign relations, we urge that no further steps be taken until it is determined whether the government or private industry is to own and operate the synthetic rubber facilities. It is our present view that any official action which might be interpreted as a governmental move inimical to the existence and expansion of synthetic rubber manufacture in the United States by private owners may be harmful to the pending disposal program contemplated by Public Law 205, 83rd Congress, Chapter 338, 1st Session (H.R. 5728).

We urge that action in this area be deferred for at least six months or until we know the outcome of the disposal program.

Respectfully submitted,

/s/ Holman D. Pettibone

Holman D. Pettibone
Chairman

[Authorization to reproduce given by Mr. Widman, Treasury, 11/5/54.]

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Annex C

OPERATIONS COORDINATING BOARD
Washington 25, D. C.

November 12, 1954

MEMORANDUM TO THE EXECUTIVE OFFICER, OPERATIONS COORDINATING BOARD

SUBJECT: Working Group Views on NSC 5417/3 (U.S. Rubber Policy)

In reference to Mr. Cutler's letter to you of November 3, 1954 requesting further views on this subject for transmission to the National Security Council, the OCB Working Group on NSC 171/1 (Indonesia) has agreed upon the following:

1. In connection with talks with the Indonesians concerning their interest in U.S. assistance in rubber smallholders, the recommendation of Treasury that action be deferred for a six-months period from November 3, 1954 on implementation of the program in NSC 5417/3 can be accepted. The Department of State will not take definite action or make commitments in response to any specific request without further reference to the OCB.

2. In view of the fact that the U.S. has already indicated publicly on the basis of NSC action its willingness to consider sympathetically proposals for assisting the natural rubber industry (e.g. at the Colombo meeting of the Rubber Study Group), the Department of State would be obliged to talk to the Indonesians about their needs for assistance to smallholder rubber if they expressed a desire to discuss the matter.

3. It will, of course, be necessary for the Embassy and the USOM in Djakarta to continue study of the Indonesian rubber problem and in connection therewith to elicit Indonesia's attitude toward possible solutions.

4. It is not anticipated that any specific request by the Indonesians which could be agreed to by the U.S. will be forthcoming within the six-months period.

5. It is believed that the rubber program, when implemented, would not in any case have a direct or measurable effect on the rubber industry for several years.

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The OCB Working Group on NSC 171/1 concluded that the Treasury recommendation could be accepted without creating any difficulties in working toward the program proposed in NSC 5417/3.

Francis J. Galbraith
Francis J. Galbraith
Chairman
OCB Working Group on NSC 171/1

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

November 16, 1954

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT : NSC 5417/3 (U.S. Rubber Policy)

REFERENCE : NSC Action No. 1243b.

Pursuant to the determination to be made as provided in subparagraph (3) of the NSC Action above, the Secretary of the Treasury has recommended that the program proposed in NSC 5417/3 be delayed approximately six months in order to avoid any harmful effect on the disposal of U.S. Government-owned synthetic rubber plants. In considering the Treasury recommendation, an OCB working group, consisting of representatives of State, Defense, FOA, CIA, USIA, and Treasury, has concluded that the recommendation is not inconsistent with the timing of actions involved in initiating the program proposed in NSC 5417/3. The Department of State will not take definite action or make commitments in response to any specific request without further reference to the OCB.

Elmer B. Staats
Executive Officer

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

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April 25, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: NSC 5417/3 (U. S. Rubber Policy)

The National Security Council in Action 1284-c of December 9, 1954, requested reconsideration by the OCB of the implementation of NSC 5417/3 in approximately six months in the light of the situation then existing for consideration by the Council after May 1, 1955.

Although NSC 5417/3 bears the subject "United States Rubber Policy," the program relates exclusively to Indonesia envisaging the planting of about 380,000 acres with new high-yielding rubber trees, the establishment of cooperative processing centers with working capital to buy rubber from smallholders, and the establishment of schools to teach smallholders approved methods of rubber planting, tapping and processing. The program cost for a 12-year period is estimated at \$60 million with all but \$3 - 5 million of the total being local currency cost.

The rubber program for Indonesia was originally developed for political, as well as economic reasons. It was believed that American assistance of this nature would have a profound political impact on the Indonesian people and the Indonesian Government, tending to make them more friendly to the U.S. and more cooperative with U.S. objectives. The economic basis was the fact that the Indonesian smallholder rubber grower was producing from old, low-yielding trees and was marketing his rubber through middlemen who had a tight strangle hold over him. Furthermore, Indonesia was facing ruinous competition from more efficient natural rubber-producing countries, such as Malaya, where an aggressive replanting program was under way, and from synthetic rubber producers. A further consideration was the long-term future of rubber prognosticated by the International Rubber Study Group in May 1954 that by 1958 world consumption of rubber would have increased by an estimated 15 percent.

The Board has reconsidered the implementation of NSC 5417/3 in light of the present situation. Although it is believed that the economic and political bases for the program remain valid, there is no urgency in the present situation as indicated by the fact that the Indonesian Government has shown no interest in the possibilities

of a U. S. rubber program, and the embassy has not recommended any action. Accordingly the Operations Coordinating Board recommends that:

- a. NSC 5417/3 not be implemented at this time and the OCB be relieved of any further responsibility therefor;
- b. The Planning Board be requested to consider the substance of NSC 5417/3 as a part of its current review of the overall U. S. policy toward Indonesia and to incorporate the rubber program in the new long term policy if the rubber program continues to be viewed favorably.

File - Satterthwaite

Livingston Satterthwaite
Acting Executive Officer

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